

MA RGGI Rule Outline

GHG Stakeholder Meetings #3 & #4

April 5 & 10, 2007

Bill Lamkin



MassDEP

Model Rule Flexibility

- The RGGI MOU states “Each of the Signatory States commits to propose, for [regulatory approval], the Program substantially as reflected in the Model Rule.”
- Therefore, there are limited areas within the Model Rule where states have flexibility. Those areas are designated in this Model Rule Outline presentation with the sun icon “☀”

Applicability

- Any fossil fuel-fired unit that, at any time on or after January 1, 2005, serves an electric generator with a nameplate capacity equal to or greater than 25 MWe.

Applicability (Flexibility Exemptions)

- ***50% Biomass Exemption***

- If a source burns bio-mass for more than 50% of its total fuel, then it would not be subject to the program.

- ***Behind the Meter Exemption*** ★

- If a unit supplies less than 10% of its electrical output to the grid, then it could apply to be exempted from the program.
- Appropriate Size Limit? ★

Source Compliance Requirements

- Start Date. January 1, 2009
- Permits (Title V Air Operating Permit - State only requirements) ★
- CO₂ Allowance “True-Up” Requirements
- Control Period - 3 years, unless extended
- Compliance Certification – Due March 1 following the relevant control period

CO₂ Allowance Allocations

Year	MA Annual Budget*	Set Aside for MA GHG Credit
2009 - 2014	26,660,204	See Transition Power Point ★
2015	25,993,699	None
2016	25,343,856	None
2017	24,710,260	None
2018 Onward	24,092,504	None

* May be adjusted for exemptions

CO₂ Allowance Allocations

- ***Timing of Allocations –***
 - At the earliest practical date, no later than January 1, 2009, the Department will allocate allowances into the [DOER Auction] account for the years 2009, 2010, 2011 and 2012. ★
 - By January 1 of each succeeding year, the Department will allocate allowances for the year three years into the future.

Auction of Allowances

- ***Auction Design analysis is being led by DOER – key elements remain:***
 - Auction frequency, and timing? ★
 - Market players that are eligible to participate in auction ★
 - How the proceeds from the auction will be used (activities eligible for proceeds)? ★
- ***DOER will promulgate separate regulations, in coordination with DEP, to provide auction rules***

Update on Regional Auction Design

- ***RGGI Staff Working Group, through NY, has contracted with Resources For The Future to lead a team to evaluate Regional Auction designs.***
- ***Design study will be completed in Fall 2007, later than previously announced in Stakeholder Mtg #2.***
- ***MA will prepare plan to appropriately allocate allowances prior to availability of Regional Auction, if it is deemed advisable.***

CO₂ Allowance Allocations

- ***Early reduction CO₂ allowances***
 - Issued in addition to state cap
 - For aggregate emission reductions at a CO₂ budget source during the years 2006, 2007, 2008 relative to the years 2003, 2004, 2005
 - Average CO₂ output emission rate must improve
 - Applications for ERAs due May 1, 2009
 - Total facility shutdowns not eligible for ERAs

Set-Aside for MA GHG Credit

- ***For MA GHG Credit Conversion***
 - Two Options (See Nicholas Bianco's Transitions Issues Power Point presentation.)★

Set-Aside for Renewable Energy Purchases

- ***Retirement of CO₂ Allowances for Voluntary Renewable Energy Purchases ★***
 - ***Quantity of Voluntary Renewable Energy Purchases in the Commonwealth (MWhrs)***
 - ***Multiplied by the ISO NE Marginal CO₂ Emission Rate***
 - ***(lbs CO₂/MWhr) Divided by 2000***
 - ***Yields tons of CO₂ Allowances Retired***

Monitoring and Reporting

- Owners and operators must monitor, keep records and report pursuant to 40 CFR part 75 and file quarterly reports with the state.
- Records must be maintained for (10) years by the source for inspection by the Department.

Monitoring and Reporting

- ***Initial certification and recertification procedures*** -The owner or operator of each CO₂ budget unit must:
 - Install all necessary monitoring to document CO₂ mass emissions.
 - Successfully complete all certification tests.
 - Record, report and quality assure the data from the monitoring systems.

Offsets

- ***Offset project types.***
 - Landfill methane capture and destruction;
 - Reduction in emissions of sulfur hexafluoride (SF₆);
 - Sequestration of carbon due to afforestation;
 - Reduction or avoidance of CO₂ emissions from natural gas, oil, or propane combustion due to end use energy efficiency; and
 - Agricultural manure management operations-methane capture and destruction.

Offsets

- ***Offset project locations.*** Eligible offset projects may be located in any of the following locations:
 - In any participating state; and
 - In any state or other U.S. jurisdiction in which a cooperating regulatory agency has entered into a MOU with DEP to carry out certain obligations relative to CO₂ emissions offset projects in that state or U.S. jurisdiction.
 - May expand if price triggers are exceeded

Offsets

- **Two step Application process***
 - ***Consistency Application-Determination:***
Demonstration the project meets the eligibility criteria and monitoring and verification requirements.
 - ***Monitoring and Verification Report:***
Demonstration and documentation of the quantity of offsets achieved.

*Each step must be verified by an accredited Independent 3rd party verifier, accredited by the Department.

Offsets (Use)

- **Limit on Use of Offsets at True-Up.**
 - A source may meet up to **3.3%** of its compliance obligation with CO₂ offset allowances, unless:
 - The \$7 price trigger is exceeded, then **5.0%**
 - The \$10 price trigger is exceeded, then **10.0%**

Resources

For more information regarding RGGI see: <http://rggi.org>

For the final RGGI model rule see:

http://rggi.org/docs/model_rule_corrected_1_5_07.pdf



MassDEP

Contacts:

- Questions should be directed to Bill Lamkin
- Comments and requests to be added to, or removed from, the GHG Stakeholder email list should be directed to Nicholas Bianco

William.Lamkin@state.ma.us
978-694-3294
MassDEP
205B Lowell St.
Wilmington, MA 01887

Nicholas.M.Bianco@state.ma.us
617-292-5705
MassDEP/BWP
One Winter St
Boston, MA 02108

